

GDF SUEZ

ÊTRE UTILE AUX HOMMES

Revitalizing the EU energy policy

GDF SUEZ vision for 2030

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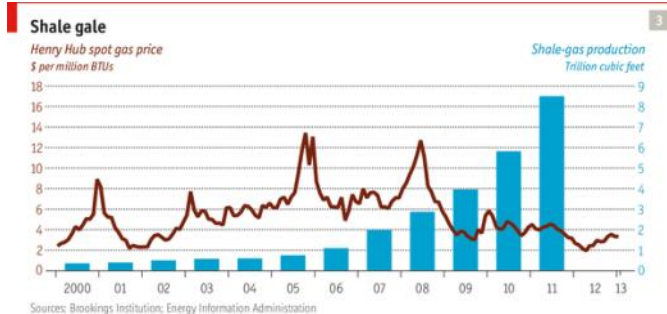
Brussels

June 10th, 2013



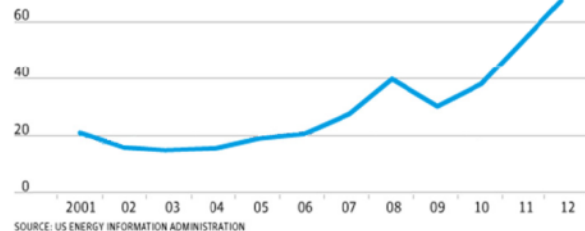
Two major game changers of the European energy landscape since 2007

The development of shale gas in North America is bringing coal to Europe.

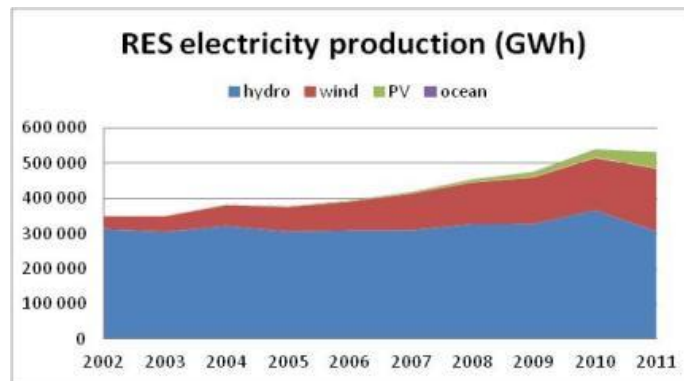


US coal exports to Europe

Million short tons



The considerable development of renewable energy sources (RES) in the EU.



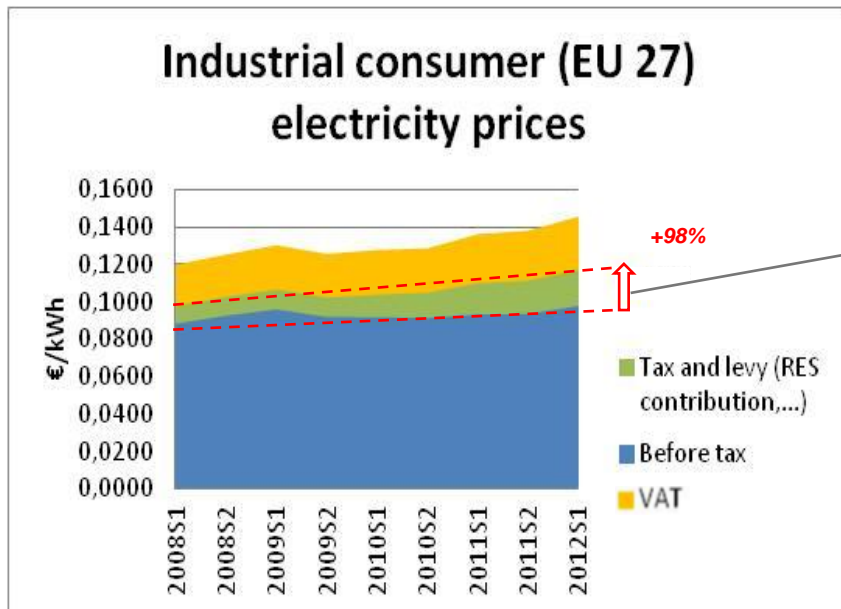
Source : Eurostat

A road to pave the way beyond 2020

- **An assessment** of the current framework:
The three failures of the European energy policy
- **An action** at the highest level : Revitalizing the energy policy by a joint action at the highest level
- **A vision** for 2030: the Framework for 2030 is crucial to ensure visibility and security of investments

Failure of competitiveness

- **Expected:** Decreasing prices due to the opening of the markets.
- **In practice:** Rise of end-user electricity prices.



2008-2012 : 21% increase for electricity prices for industrial consumers.

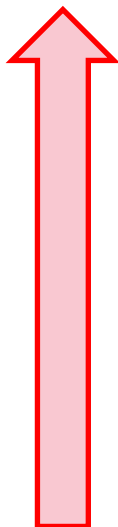
→ Mainly due to RES contribution : **98% increase**

Source : Eurostat

Tranche DC : 2 500 kWh < Consommation < 5 000 kWh

Failure of climate policy

- **Expected** : Decreasing CO2 emissions at EU level
- **In practice** : CO2 emissions are actually increasing in some Member States.



Increase of CO2 emissions between 2011 and 2012 in 4 Member States

Malta : +6.3%

UK : +3.9%

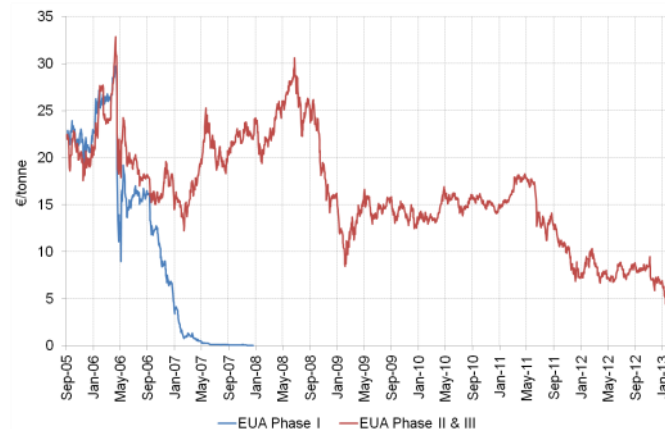
Lithuania : +1.7%

Germany : +0.9%

Source : Eurostat (May 2013)

- **The EU ETS is incorrectly calibrated** and has not driven investments towards low carbon technologies, which has led some Member States to implement their own national measures.

EU-ETS allowances – Prices evolution



Source : Thomson Reuters Point Carbon, Middle Office Platform (MOPub), Market quotes Y+1 or Y_2008 (Phase II before 1/1/2008)

An assessment : The three failures of the European energy policy

Failure of security of supply

- **Expected:** improving the electricity security of supply.
- **In practice:** Europe has annual average power production overcapacity but lacks capacities to address consumption peaks.

Closing or mothballing of **CCGTs that are pushed off the merit order.**

(Low price of coal and CO2 place coal plants before gas plants on the merit order & uncoordinated influx of RES onto the market contributes to push CCGT off it)

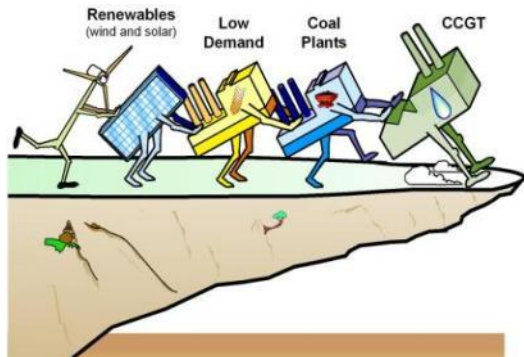
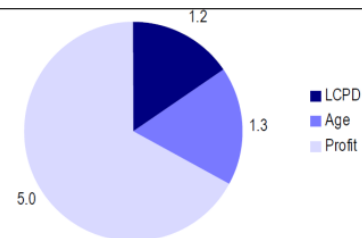


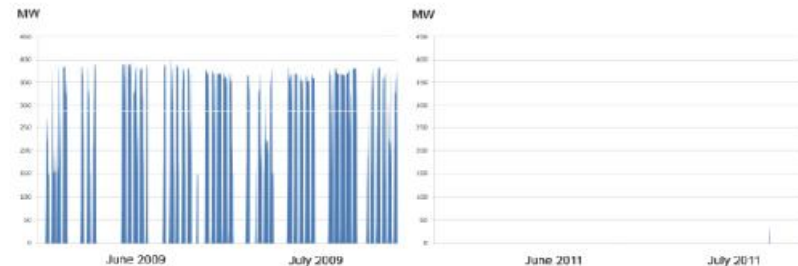
Chart 5: Announced thermal closures, 2013-2018 (GW), 7.5 GW in total



Source: Industry data and IBSa



A gas-fired power plant in Germany



Source: RWE Power

- Eight EU energy company leaders have **rung the alarm bell to urge for a redefinition of energy policy**, calling for :
 - ✓ An improved market design and European coordinated approach on CRM in order to fairly remunerate the assets guaranteeing the security of supply.
 - ✓ A sustainable European carbon market providing encouraging signals or investment in climate-friendly technologies.
 - ✓ A greater convergence in the policies towards renewables.
 - ✓ A strengthening of the policy framework to trigger investments in promising technologies (energy storage, smart grids and meters, shale gas etc.)



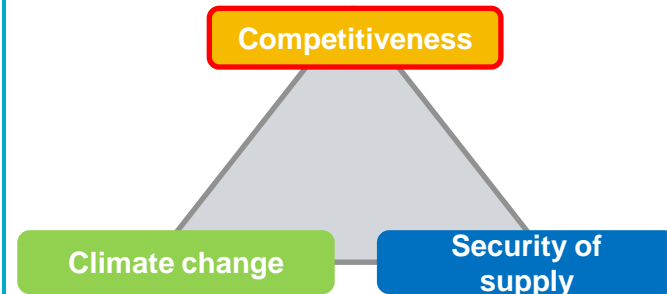
GDF SUEZ calls for an **improved European framework for investments**

- long-term visibility must be established,
- uncoordinated national initiatives on energy or climate policies should be avoided,
- a fair level playing field for all market participants should be provided.

For the Framework 2030, the Group believes that it is essential to avoid overlaps between different objectives :

- Ambitious and realistic **CO2 target**,
- **RES** and **energy efficiency** are key **means** for the decarbonization.

- A **more sustainable way** to develop **RES** :
 - ✓ Progressive **convergence** between Member States of RES support schemes for non mature technologies
 - ✓ Progressive **integration** of mature and cost-efficient renewables into the internal energy market
- Permitting **unconventional energy exploration** in the EU relying on a **safe and environmentally appropriate** legislative framework. Encouraging R&D with a view to this purpose.
- **Coordinated efforts** to convince third countries to commit to ambitious GHG targets.
- **Energy efficiency** :
 - ✓ Is a key part of the means through which energy can remain affordable for households
 - ✓ Can help improve the international competitiveness of the European industry

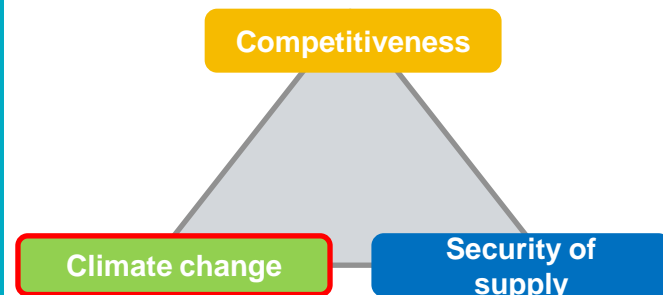


■ The **EU-ETS is the right instrument** to ensure emissions reductions in European industry at the lowest cost and **should be reinforced** thanks to :

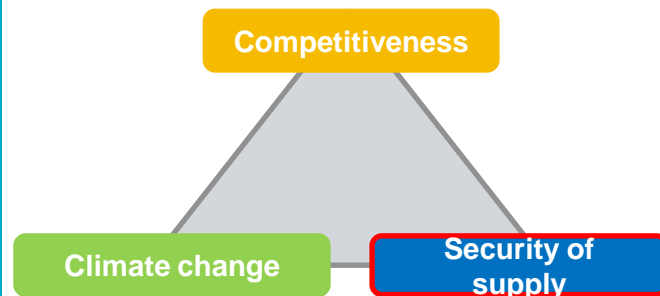
- ✓ A set aside of at least 1200 Mt CO2
- ✓ The extension of the ETS to other sectors such as the heating & cooling and transport sectors
- ✓ The implementation of a supply adjustment mechanism
- ✓ The possible introduction of a carbon floor price.

■ **Every renewable energy** should be considered as an important technology for the transition. Among these renewable energies are :

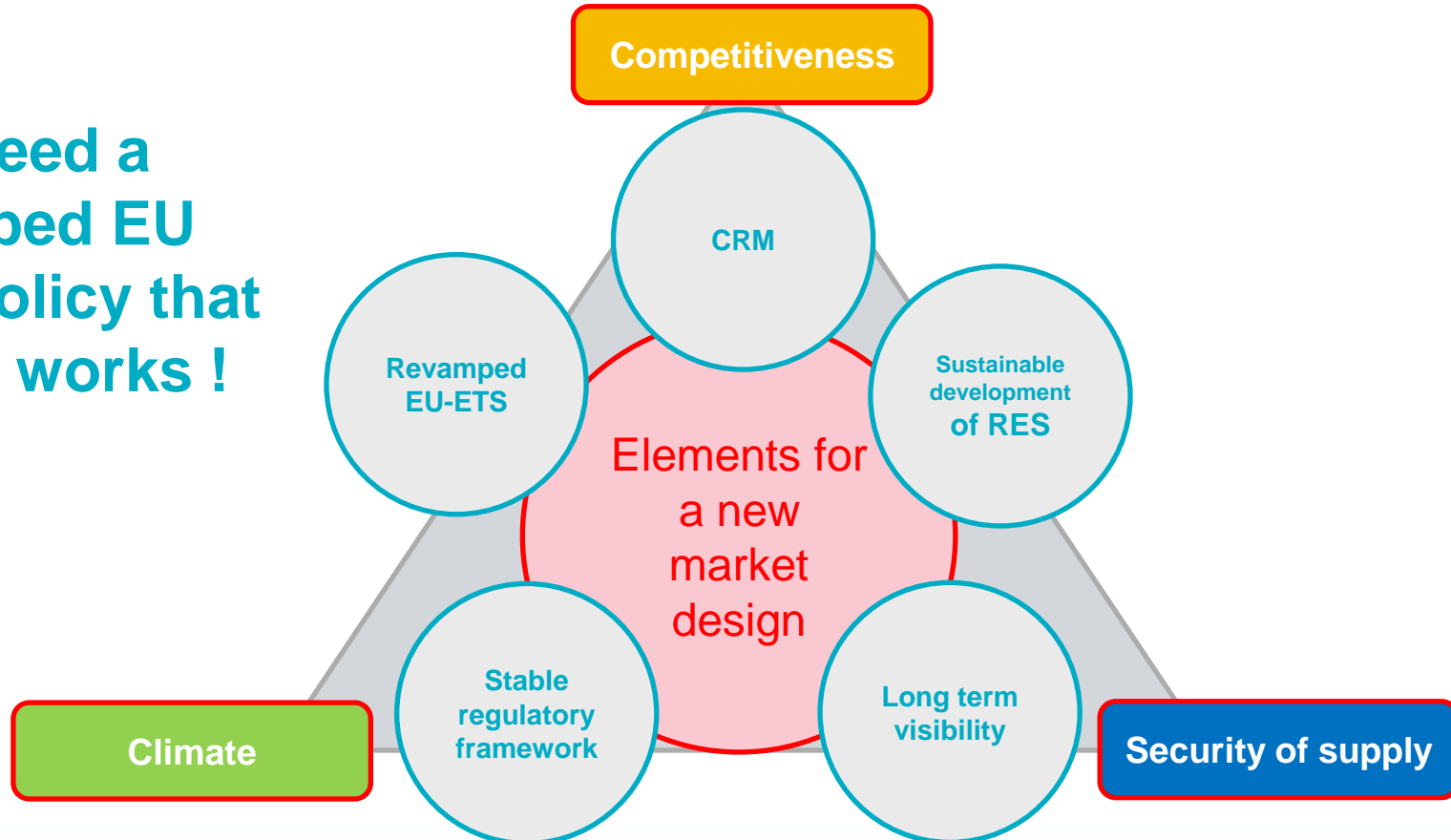
- ✓ Renewable gases (biomethane and power-to-gas)
- ✓ Renewable heating



- The Group calls for a coordinated European approach to capacity remuneration mechanisms (CRM) between highly interconnected countries and regions based on European guidelines in order to avoid market distortions.



**We need a
revamped EU
energy policy that
actually works !**





Thank you for your attention

